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August 31, 2012

Mr. Jeff Derouen, Executive Director
Public Service Commission
P.O Box 615
Frankfort, KY 40602

RE: Case No. 2012-00095
Monthly Report from
Joint Applicant's for Merger
for month ending August 2012

RECEIVED
SEP 5 2012
PUBLIC SERVICE
COMMISSION

Dear Director Derouen:

Reference is made to the Commission's Order dated July 13, 2012 approving the merger of Black Mountain Utility District (BMUD) and Green Hills Water District (GHWD) subject to conditions to be complied with within 150 days and to my July 31, 2012 report to you.

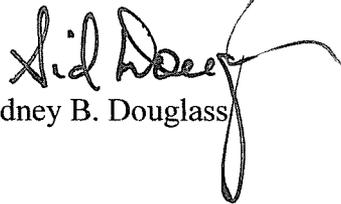
The BMUD and GHWD Boards met on August 14, 2012 at which meeting I discussed the Commissions July 13, 2012 Order of Merger with the members. BMUD passed a motion authorizing the purchase of electronic meters for \$77,000.00 to be installed on the Little Shepherd Trail expansion project and to replace the meters at GHWD. These meters have been received by BMUD and installation of the meters has begun..

The Harlan County Fiscal Court met on August 23, 2012 and passed two motions seeking two grant agreements for GHWD. One grant is for \$200,000.00 and the second grant is for \$400,000.00. The \$200.000 grant will be used for extending and improving the GHWD water lines, including the purchase and installation of electronic meters. The \$400.00 grant will be used to pay off GHWD 1998 series USAC Rural Development bond. Last month I reported we expected the bond to be paid by mid August, unfortunately this was too optimistic. We now anticipate the \$400.00.00 grant will not be approved by the Capitol Project and Bond Oversight Committee until September 18, 2012 and money will not be available for draw down to pay off the bond until late October. Attached is a copy of a 8-24-12 cover letter from Tim Schwenderman, Cumberland Valley Area Development District to KIA submitting the two grants.

The Water Extension Project connecting the Harlan Municipal Water Works to the GHWD system is progressing ahead of schedule. Phase 2 of the Project has been submitted to the Kentucky Division of Water for approval. We expect by mid October the new water lines from Baxter to the top of Pine Mountain and to the GHWP system to be able to provide water to all of the customers of GHWD. At their meetings in September I expect the Boards of BMUD and HMWW to approve a water purchase contract amendment for HMWW to provide BMD up to an additional 125,000 gallons of water per day to serve the Little Shepherd Trail extension project and customers of GHWD.

My next status report to you will be at the end of September 2012.

Sincerely,


Sidney B. Douglass

CC:

Mr. Bob Lee, Chairman BMUD
Black Mountain Utility District
609 Four Mile Road
Baxter, KY 40806

Mr. Ralph Turner, Chairman
Green Hills Water District
609 Four Mile Road
Baxter, KY 40806

SBD/dld

Cumberland Valley Area Development District

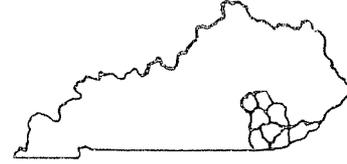
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Knox County

Executive Director
Mike Patrick

August 24, 2012

Ms. Debby Milton
Kentucky Infrastructure Authority
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601-8204

Re: Harlan County Fiscal Court-Greenhills Water District
HB265 Grant ID# 5C-2012 (\$200,000)
HB265 Grant ID# 19CS-2012 (\$400,000)
WX21095605

Dear Debby:

On behalf of the Harlan County Fiscal Court, enclosed please find the locally executed grant agreements relative to the two subject grants.

For your information, the project profile WX21095605 for both grants was submitted to eclearinghouse on August 13, 2012 and has been assigned SAI#201208130991. A copy of the actual clearinghouse comments will be forwarded to you when available.

If you have any questions or require additional information, please contact me.

Sincerely,

A handwritten signature in black ink, appearing to read 'Timothy M. Schwendeman', written over a horizontal line.

Timothy M. Schwendeman
Assistant Director for Economic Development

Enclosures

CC: Judge Grieshop
Sid Douglass
Ray Metcalf
Leo Miller